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SENSITIVE
SIPDIS

STATE FOR S/SRAP, NEA/ARP, SCA
STATE PASS TO USAID
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E.O. 12958: N/A
TAGS: [EAID](#) [PREL](#) [AF](#) [KU](#)
SUBJECT: KUWAIT FUND SUPPORT TO AFGHANISTAN STALLED DUE TO
FAILURE TO RESOLVE LOAN ISSUE

REF: A. STATE 74362
[1](#)B. KUWAIT 639
[1](#)C. 08 KUWAIT 1190

[1](#)1. (U) Poloff and Econoff delivered reftel points to Ministry of Foreign Affairs Follow-up Department Counselor Abdulla Mehdi July 20. Mehdi agreed to review the points with Ambassador Khalid Maqamis, Head of Follow-up and Coordination Department, Ministry of Foreign Affairs and provide a response shortly.

[1](#)2. (SBU) Econoffs delivered reftel points to Kuwait Fund for Arab Economic Development Deputy Director General Hesham I. Al-Waqayan July 21. Al-Waqayan reiterated the Fund's keen interest in working with the international community to provide support to the Afghan people, in particular in the education and healthcare sectors. Al-Wagayan stated that the Fund has plans for projects valued in excess of \$50 million.

1977 LOANS STYMIE PROJECTS

[1](#)3. (SBU) Al-Waqayan was quick to point out that the Fund is unable to initiate programming in Afghanistan until the issue of unpaid arrearages on the part of the GOA is resolved. The arrearages stem from 1977 Kuwait Fund loans to the GOA and amount to KD 6.2 million (approximate \$22 million). National legislation pertaining to the Kuwait Fund prevents it from making loans or grants to countries owing the Fund unsatisfied obligations. Al-Waqayan said that the Fund has attempted to resolve this issue in recent years, including offering a long-term repayment plan commencing in 2026. He said that the GOA had been unwilling to sign a proposed agreement, despite several rounds of talks, including talks in Kuwait. (Note: Kuwait Fund Director General Abdul Wahab Al-Bader relayed the same information to former USAID Administrator Henrietta Fore in December 2008 -- ref. C. End Note). Al-Waqayan said that a third party could satisfy the debt; in response to a query, he said that the GOK could assume responsibility for the obligation.

PAKISTAN ASSISTANCE

[1](#)4. (SBU) Al-Waqayan also updated Econoffs on the Kuwait Fund's activities in Pakistan. He said that he would be making a long-delayed trip to Islamabad at the end of August to sign a \$50 million earthquake assistance package (ref. B). He also described the Fund's \$34 million contribution to the Neelum Jhelum hydroelectric project (ref. B). Al-Waqayan also briefly described the Fund's support to a major water and sanitation project in the North Korean capital, Pyongyang.

COMMENT

15. (SBU) Ending the arrearages stalemate is critical to unlocking potential large-scale assistance to Afghanistan on the part of the Kuwait Fund. Embassy will intensify engagement with the GOK with a view to securing de facto debt forgiveness. However, if a long-term repayment plan could unlock substantial additional largess now, Embassy suggests there may be merit in the GOA taking another look at the terms being offered by the Fund, which senior Fund officers maintain matches terms available to countries qualifying for the Heavily Indebted Poor Countries (HIPC) initiative (Afghanistan has not yet fully qualified). End Comment.

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